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FM AMEMBASSY SARAJEVO
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RUEHSQ/AMEMBASSY SKOPJE IMMEDIATE 0193
RUEHVB/AMEMBASSY ZAGREB IMMEDIATE 0207
RUEHC/SECSTATE WASHDC IMMEDIATE 4015
INFO RUCNIFO/IFOR COLLECTIVE IMMEDIATE
RUEHTC/AMEMBASSY THE HAGUE IMMEDIATE 0084
RUEAIIA/CIA WASHDC IMMEDIATE
RUEAWJA/DEPT OF JUSTICE WASHDC IMMEDIATE
RUEATRS/DEPT OF TREASURY WASHDC IMMEDIATE

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E.O. 12958: DECL: 07/15/2016
TAGS: [PINR](#) [KJUS](#) [MOPS](#) [PGOV](#) [PREL](#) [PTER](#) [KCRM](#) [BK](#)
SUBJECT: BOSNIA: ORGANIZED CRIME AND CORRUPTION

REF: A. 05 SARAJEVO 2954
[1](#)B. 05 SARAJEVO 2324
[1](#)C. 05 SARAJEVO 2352
[1](#)D. 05 SARAJEVO 1177
[1](#)E. 05 SARAJEVO 2848

Classified By: CDA JUDITH CEFKIN FOR REASONS 1.4 (B), (D)

[1](#)1. (C) SUMMARY: Ten years after the war, Bosnia remains in many ways a traumatized, post-Communist, post-war society. Crime and corruption are serious problems and touch nearly every aspect of life. Criminal clans aligned with politicians and political parties are still prospering and are described as a major obstacle to EU accession. The nexus between organized crime and the war criminal support networks is also clear. Money laundering, tax evasion, corrupt privatization schemes, narcotics trafficking, trafficking in persons, and smuggling of cars, oil, lumber, and cigarettes all provide sources of illicit income. This is not surprising given the still limited economic opportunities and high unemployment rate. This report is broken down into the following sections:

[1](#)I. CORRUPTION
II. ORGANIZED CRIME
III. MAJOR TYPES OF ORGANIZED CRIME GROUPS
IV. POSSIBLE LINKS BETWEEN OC GROUPS AND TERRORIST ORGANIZATIONS
[1](#)V. LEADING OC FIGURES AND GROUPS
VI. COMMENT
(End Summary)

[1](#)I. CORRUPTION

[1](#)2. (U) According to a March 2006 report published by the BiH Ministry of Security -- Strategy for Combating Organized Crime and Corruption in BiH -- 84% of Bosnians believe it is necessary to offer bribes to officials to get them to do their jobs. Administrative delays and paperwork also contribute to this atmosphere. The average period in the Balkans required to register a company is about 30 days, but in the Federation it is 124 days and in the Republika Srpska (RS) it is 56 days. In 2005 Bosnia was ranked 88 out of 158

countries rated by Transparency International (TI) in its corruption index, but with a score of only 2.9, placing it below Romania and Mexico but above Serbia. TI considers anything below 5.0 an indication of "serious corruption problems."

¶3. (S/NF) A number of leaders of the major political parties have had criminal charges filed against them and/or are widely believed to participate in corrupt activities. Among them are former BiH Tri-Presidency member Dragan Covic (HDZ), current RS President Dragan Covic (SDS), former RS PM Dragan Mikerevic (SDS) current BiH Foreign Minister Mladen Ivanic (PDP) current RS PM Milorad Dodik (SNSD), Branko Dokic (PDP), Hasan Cengic (SDA), Ante Jelavic (HDZ), an President of the BiH Constitutional Court Mato adic.

¶4. (S/NF) Leading nationalist parties in BiH -- the SDA (Bosniak), SDS (Serb), and HDZ (Croat) -- have for years abused their positions in senior government institutions, state-owned firms, and private companies to gain profits for personal and political gain. Local OC groups in both the Federation and the RS use connections to these ethnically-based ruling nationalist parties (along with other parties such as the RS-based PDP) and their representatives in virtually all levels of government. Much of the corruption at the political level is focused on the abuse of such institutions as the customs agency, tax administration, wood processing sector, and the energy sector. It is within these key moneymaking ventures that the prospects are best for the intermingling between organized crime and politics. Politically connected individuals also have the ability to manipulate government institutions, law enforcement and judiciary. This involves application of legal provisions to slow down investigations, stalling court procedures, and obstructing enforcement of criminal statutes. They are also involved in the issuance and forgery of travel papers (ID cards, passports, visas) which enable criminals to travel freely.

¶5. (U) A good example is the recent case of the Bosanski Brod Oil Refinery where fraud charges have been filed against 27 persons involving USD 75 million. Included in the group is former RS PM Dragan Mikerevic.

II. ORGANIZED CRIME

NARCOTICS

¶6. (U) The "Balkan Route" for drug smuggling into Europe is reportedly still very much in use. Bosnia occupies a strategic position along the historic Balkan smuggling routes between drug production centers in South Asia and markets in Western Europe. One of the main Balkan trafficking routes begins in Albania, continues into Montenegro and enters BiH through a border point close to Trebinje. From BiH the drugs pass to Croatia and Slovenia and then on to Central Europe. BiH is also a small but growing destination for drugs (reftel A).

ILLICIT ARMS TRADE

¶7. (S/NF) Trade in arms mostly involves residual arms left over from the war, often stolen from military warehouses. Many weapons remain in the country, posing an internal security threat while arms from BiH are also smuggled to Albania, Kosovo, and EU countries.

HUMAN TRAFFICKING

¶8. (U) While the situation has improved, and BiH has moved up from Tier Three to Tier Two, the problem continues to exist. Most trafficking victims are women and teenage girls, although there are some reports of trafficking in children, especially Romani children, for forced labor. A number of Chinese nationals (men and women) who have transited through BiH may have been trafficked for forced labor. In 2005, the majority of prostitution-related trafficking cases involved

either local women or women from the Ukraine, Moldova, Romania, Serbia and Montenegro.

ILLEGAL IMMIGRATION

¶9. (U) BiH is largely a conduit to Western Europe with a majority of illegals coming from Serbia, Montenegro, Kosovo, and Albania. The strengthening of the State Border Service and security at the Sarajevo and Tuzla airports (through U.S. assistance) has led to a reduction in the number of illegals entering the country. However, once in the country, it is difficult to track foreigners. There is no integrated information system or alien detention center. In 2005, 465 persons were arrested for immigration violations and most were simply released pending status adjudication. Only 60 were actually deported. In 2005 BiH created a new state-level immigration service and plans to build a much-needed 60-bed alien detention center by the end of the year.

MONEY LAUNDERING

¶10. (C) OC groups attempt to "launder" or recycle money gained from illicit activities through legitimate businesses as quickly as possible. The recycling of illegal funds is suspected to have played a role in inflated real estate prices in certain parts of the country. Virtually all OC groups are believed to have front companies including: banks, gas stations, restaurants/bars, betting parlors, jewelry stores, security firms, demining companies, construction companies, energy and petroleum companies, forestry companies, telecom companies, and import/export firms. Momcilo Mandic, for example, currently in custody charged with war crimes, embezzlement to aid war crime fugitives, and bank fraud in the Privredna Banka Srpska Sarajevo case, is suspected of using his chain of Mandic Fuel gas stations in the Republika Srpska to launder funds.

III. MAJOR TYPES OF ORGANIZED CRIME GROUPS

FEDERATION

¶11. (C) Sandzak Clan. The Clan is highly organized, locally influential and internationally connected. Sandzak is a region between Serbia, Montenegro and Kosovo mostly populated by Serbian Muslims. Most of the clan's members have ties to the region and began moving into Sarajevo in the 1970s. The numbers started increasing significantly in the 1990s when a large number of "new businessmen" originally from Sandzak started investing in privatizations of profitable public companies, major construction projects (malls, hotels) and real estate. Much of the money came from illegal activities, such as narcotics trafficking and the smuggling of arms and otherwise legal goods such as lumber and cigarettes. Over the years the Clan has been able to infiltrate administrative, political and law enforcement circles, and has close links to the dominant Muslim party in BiH, SDA.

¶12. (C) Albanian Clan. Albanians started moving to the Sarajevo region and BiH in the second half of the 1990,s. Their numbers significantly increased after the 1999 war in Kosovo. Upon arrival, many started traditional small businesses such as grills, bakeries, candy/cake shops, and bars. These businesses were often funded through loans provided by OC groups. This enabled the Clan to create networks for money laundering, smuggling, and distribution of various illegal goods. Albanian OC groups are also involved in extortion rackets, prostitution, and human trafficking. In the last few years they have started developing legitimate businesses and buying political protection from the SDA, which is part of the governing coalition at the national level.

¶13. (C) Herzegovina Clan. Clans in largely Croatian Western Herzegovina are involved in money laundering, fraud, tax evasion, and are linked to the dominant Croatian party HDZ, which has received millions of off-the-books contributions

from Bosnian Croat diaspora in Croatia. Narcotics also pass freely from Montenegro through Western Herzegovina to the Croatian coast.

REPUBLIKA SRPSKA

¶14. (S/NF) There also are important Serbian OC groups, controlled by both Bosnian Serbs and Serbs from Serbia, often with connections to Russia. There is a great deal of overlap between the Serbian war criminal support network, nationalist Serbian politicians, RS police, the SDS party, and Serbian OC. Money from state-run enterprises in the RS is diverted to off-shore accounts for the personal gain of individual party members, to party coffers to support political activities, and to the support networks of PIFWCs such as Radovan Karadzic. In the RS, such activities have involved organized criminal groups from Serbia and Montenegro such as the Zemun Clan, associated with the assassination of Serbian PM Djindjic in 2003. A good example is Momcilo Mandic, former Justice Minister in the wartime RS government (see paragraph 10) who was designated by the U.S. Treasury Department as a key financial supporter of ICTY fugitive Radovan Karadzic. Similarly, recently arrested ICTY indictee Milan Lukic was reported in the media to be part of the war criminal support network for Karadzic, and was once a major heroin trafficker.

¶15. (C) A particularly egregious example is former Republika Srpska (RS) Police Director Dragomir Andan, who resigned in April 2006 under pressure from ICTY Chief Prosecutor Carla del Ponte. In a letter to RS PM Dodik del Ponte states: "We have an extensive and detailed profile of Andan whose record includes numerous allegations of criminal conduct before, during and after the war. He was undoubtedly in close relationship (including personal) with ICTY fugitive Ratko Mladic."

IV. POSSIBLE LINKS BETWEEN OC GROUPS AND TERRORIST ORGANIZATIONS

¶16. (S/NF) Islamic non-governmental organizations (NGOs) in Bosnia, while not openly advocating violence, have made some progress in radicalizing small segments of the population and providing support networks to foreign Mujahideen who remained in Bosnia after the war in the 1990s (reftel B). Some Bosniak firms (e.g. security companies, import/export firms) have been linked to Mujahideen in Bosnia, and, via those individuals, to groups involved in terrorist financing. However, there is no hard evidence of systematic linkages between organized crime groups and terrorist organizations. There are some reports that Mohamed Ali Gasi, a well-known ethnic Albanian OC figure, has ties to Albanian arms dealers.

It has been reported that Hasan Cengic, one the founders of SDA and a prominent Muslim member of parliament, is also an OC ringleader who has ties to Muslim terrorist elements and to TWRA (Third World Relief Agency). TWRA, a Muslim NGO, was operational in BiH during the war and is reportedly linked to al-Qaeda. Though Cengic was recently acquitted of corruption charges in the BiH State Court, the prosecution has appealed the verdict.

¶V. LEADING OC FIGURES AND GROUPS

¶17. (S/NF) The profiles below are of active OC organizations and individuals. Some of this information is in the public domain, some not. Much of the information was provided by contacts in law enforcement institutions at the state, entity and cantonal level. Of particular help (strictly protect) were Dragan Lukac, Director of the Criminal Investigations Department at the State Investigation and Protection Agency (SIPA), Vahid Alagic, Deputy Director State Border Service, Ljiljana Trisic, Ministry of Security, Zoran Mandic, new Director of the East Sarajevo Public Security Center in Pale, and a number of former U.S. police officials embedded with local law enforcement agencies under the U.S. Department of Justice (ICITAP) program. Still, due to the nefarious and

shadowy nature of the individuals and their activities, some of this information must be characterized as no more than intelligent speculation.

SIPA TARGETING SEVEN OC GROUPS

118. (S/NF) Jahorina/Pale East Sarajevo Group

This group has over 100 people, half of whom are current RS police officers. The SDS is believed to have originally established the group to raise money to support PIFWCs, including Radovan Karadzic. Momcilo Mandic, Milovan Bjeljica, and Mirko Sarovic, all of whom are in jail awaiting trial for bank fraud and money laundering, once directed the group.

All of the following are believed to have links to the Jahorina/Pale East Sarajevo Group.

Radomir Kojic, former police officer, launders money through his Crystal Hotel in Jahorina. Reportedly runs Zdrle and Elez (see below).

Dorde "Dzoka" Zdrle group - former police officer linked to 14 unsolved murders, protection rackets, murder for hire, drugs. Linked to Sarajevo OC figure Remiz "Celo" Delalic (from the Sandzak area of Montenegro) in trafficking narcotics to Sarajevo. Reportedly (with Slaven Vukajlovic, Jovan Skobo) had killed OC figure Milorad Todorovic (2005) and his brother Zeljiko and sister-in-law (2004) because Milorad refused to pay protection money. Police consider him to be a typical muscle man, hot-tempered, not too bright. Has been seen recently in Trebinje. Zdrle is also linked to Belgrade-based Rakovicki Clan and their leader Nebojsa Stojkovic who has sent professional killers to BiH.

Darko Elez group - involved in armed robbery and murder for hire (USD 20,000/murder). He fell out with Zdrle and Skobo, and is now in Serbia. On June 29, 2006, he allegedly stopped a Privredna Bank Sarajevo cash truck and stole 2.2 million Euros. On July 10, the Sarajevo Prosecutors office issued a warrant for his arrest. This is the sixth major bank robbery in 2006 in the Federation. Police consider him smart, tactical, and well organized. Elez recently contacted SIPA looking for a deal, claiming he has information on the Rato Spajic murder. Spajic, a Pale OC figure, was murdered in March 2005 reportedly for defying the Pale mafia by refusing to pay protection money (SIPA tells us Spajic held a BiH diplomatic passport).

Elez and Zdrle were close (Elez was Zdrle's best man) although recently they have become bitter rivals. In fact, in July 2006 Elez reportedly tried to kill Zdrle by planting three anti-personnel mines on the side of the road in East Sarajevo.

Jovan Skobo is a former Pale Police commander and linked to war crimes, Karadzic's support network, drugs, money laundering, and racketeering. His son, Miroslav, is part of his group.

Mirko Subotic, currently East Sarajevo Public Security Center Uniformed Police Chief, is reportedly connected to Jovan Skobo.

Ljuban Ecim is a leading East Sarajevo crime figure and former chief of Banja Luka State Security. He was for many years an important link in the protection of PIFWC indictee Radovan Karadzic.

119. (S/NF) Igman Group

Bosniak Ismet "Celo" Bajramovic was a wartime commander of a Bosnian special army unit and has good connections with Sarajevo police. He has reportedly been involved in extortion, blackmail, kidnapping, theft, and murder for hire.

Muhamed Ali Gasi is a well-known ethnic Albanian OC figure and a suspect in a number of crimes including car-bombings, narcotics trafficking, and has ties to Albanian arms dealers.

Nasar Kalemidre is a very visible ethnic Albanian who owns the Casa Grande hotel in Sarajevo and drives a red Ferrari. In 2005 he applied for an export license in the U.S. in order to buy two armored vehicles (his request was denied, of course). He is connected to former Kosovo military commander and PM Ramus Haradinaj. He is involved in drugs and arms trading, with possible terrorist connections. There is also a possible Hasan Cengic/SDA connection. Also connected to Kalemidre is Acik Kan, a Turkish member of the SDA.

Brothers Haris and Hamdo Dacic. Sandzak connection, reportedly laundered USD 12 million through hotels owned in Sarajevo.

¶20. (S/NF) Sava Group

Ramo Kujovic (currently in pretrial custody), Sead Causevic, and Sadik Kevric. Operate in the Tuzla/Brcko corridor, involved in drugs and TIP (Serbian, Ukrainian, Moldovian women). Initially involved in trafficking Kurds. Connected to Ferid Okic who was sentenced to 22 years in 2006 for murder, kidnapping and robbery. He reportedly is still involved with running the organization from prison.

¶21. (S/NF) Trebinje Groups

Slaven Vukajilvic, involved in narcotics, murder for hire, car theft, linked to Trebinje bombings (see below). Also implicated - Drazen Sinikovic, Velibor Alesic, and Drazen Radic.

Zeljko Tasovac was arrested by SIPA on June 29, 2006, along with six other individuals, including Nebojsa Vukoje. The so-called Tasovac group is implicated in 11 bombings in Trebinje over the last year, targeting cars belonging to a judge's son and law enforcement personnel. They have been linked to car thefts, forgery of official documents, drug running, and interfering with judicial processes. They are reportedly linked to SDS and used RS power company trucks (Electroprivreda) to transport drugs and turn off power during drug transit runs. These individuals will likely be charged with murder, OC, and interfering with judicial processes.

¶22. (S/NF) Bijelina Group

Ugljesa Aranitovic (aka Goran Petrovic DOB 6/26/76, POB Sarajevo) is involved in drugs, arms trafficking, racketeering, and protection. Associated with Zemun Clan in Serbia, which was responsible for the assassination of Serbian PM. Also implicated - Veljko Dosic, Mile Iakic. Aranitovic reportedly was connected to PIFWC Zeljko "Arkan" Raznatovic, who was murdered in 2002.

¶23. (S/NF) Mostar/Herzegovina Group

Ante Jelavic allegedly funneled millions of dollars illegally to the HDZ through Hercegovacka Banka. In October 2005, he was convicted of bank fraud and sentenced to ten years, but he escaped to Croatia, which has refused to extradite him.

Mladen Dzidic, Almir Serdarevic, Denis Cetialovic, said to be involved in drugs, TIP, and prostitution.

¶24. (S/NF) Bihac Group

Hot Velia, Zijan Muratovic, and Muso Mujkle purportedly involved in TIP and document forgeries.

VI. COMMENT

¶25. (C) While this report paints a grim picture, the news is not all bad. The U.S. and the international community have invested millions of dollars over the years to establish

viable rule of law institutions and we can point to many successes. We helped create and stand up the State Border Service, the FBI-like State Investigation and Protection Agency (SIPA), the state-level Ministry of Security, and the BiH State Court and Prosecutor's Office (reftels C, D). Bosnia has moved from Tier Three to Tier Two status as a result of progress addressing the problem of trafficking in persons. Post, in conjunction with the Department of Justice (reftel E), will continue to provide funding, technical assistance, and training aimed at developing state-level law enforcement capacities. We will continue to assist SIPA's CT, OC, and financial crime units develop, and help establish administrative procedures for seizing and forfeiting assets of criminal enterprises. We will assist the new immigration service (Foreigners Affairs Service) get off the ground, and continue working with the State Prosecutor's office and the Ministry of Security to improve organized crime, financial crime, narcotics trafficking, and TIP prosecutions. End Comment.
CEFKIN